



Agenda Item # 104  
May 11, 2017

20 N. Swinton Avenue  
Delray Beach, FL 33444

## ~ CRA BOARD SUMMARY ~

### PROPOSED MODIFICATIONS TO BUSINESS GRANT PROGRAMS

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At the CRA Board Annual Goals Workshop, held on March 28, 2017, staff provided the Board with an update on several economic development initiatives, including Evolving Economic Development, CRA business grant tools, and business retention efforts. There was a discussion about making the agency's business grant tools more accessible to local businesses, and the Board directed staff to return with recommendations on ways to simplify the programs and facilitate quicker payments to small businesses who may at this time be discouraged to apply or are overwhelmed by current procedures.

Staff has identified several modifications to existing grant tools that can be codified and implemented within the next few weeks. The attached spreadsheet outlines the strategy behind the proposed modifications, beginning with the key challenge that prospective grantees currently face, and showing the anticipated fiscal and administrative impacts to the CRA if the proposed modifications are adopted. Other CRAs utilizing similar approaches and procedures in their grant programs have also been listed for reference.

The goal of the proposed modifications is to encourage higher levels of participation in existing grant programs—especially among small businesses in priority areas—by easing application requirements and making payment schedules and the approval process more practical, all within the context of the established intent of each program. The proposed changes can be initiated relatively quickly, as they would require only minor changes to existing internal processes. If successful, staff anticipates an increase in both the number of applications submitted and grants awarded during the current fiscal year. The proposed modifications include the following:

#### Business Development Assistance Program

- **Office Eligibility in Downtown Core:** Add office as an allowable use in CRA Sub-Areas #1 & #2. Currently, only art studios and galleries are allowed to use the program in these areas. As identified in the Community Redevelopment Plan, the attraction and expansion of office users will “increase job growth and generate pedestrian activity” (pg. 33). This activity is critical to the viability of our retail, hospitality and service industry merchants, which are most prevalent in the downtown core. Additionally, office users help diversify employment opportunities and wage levels within the city.

#### Paint-Up & Signage Program:

- **Office Eligibility in Downtown Core:** Add office as an allowable use in CRA Sub-Areas #1 & #2, for reasons cited above. Currently, only art galleries and studios are allowed to use the program in these areas.
- **Direct Vendor Payments:** The CRA may release grant funds directly to the paint or sign vendor, pending verification that the grantee has paid the 50% match required by the program. Currently, grant funds are paid to the grantee by reimbursement after project completion, at a rate of 50% of eligible costs, up to \$5,000. No changes are recommended to the calculation of the grant or the payment schedule.
- **Administrative Approval:** The CRA Executive Director may grant administrative approval of any qualified application for the Paint-Up & Signage Program, as recommended by the staff Grants Committee. The maximum grant award remains \$5,000.

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## Site Development Assistance Program

- **Office Eligibility in Downtown Core:** Add office as an allowable use in CRA Sub-Areas #1 & #2, for reasons cited above. Currently, only art galleries and studios are allowed to use the program in these areas.
- **Administrative Approval:** Pursuant to the CRA's procurement policy, the CRA Executive Director may approve purchase orders of less than \$15,000. Thus the recommendation is that the Executive Director also be allowed to administratively approve Site Development Assistance Grants under \$15,000, as recommended for approval by the staff Grants Committee. Applicants would be required to submit a minimum of two cost estimates to utilize this option.
- **Modified Funding Disbursement Schedule:** Allow grantee to collect reimbursement funds in up to 3 draws. Two draws may be made while construction is underway, while the final draw, equivalent to 25% of the approved grant award, will be withheld until completion of the project, as evidenced by final inspections or a Certificate of Occupancy.
- **Adjusted Reimbursement Rate:** Apply a 100% reimbursement rate to the first \$10,000 of eligible project expenses for approved grants located in CRA Sub-Areas #3, #4, #7 and #8. The existing reimbursement rate of 40% will be applied to all eligible costs beyond \$10,000, up to a maximum grant award of \$50,000. As no change is recommended to the maximum grant award, there is no additional CRA investment in any particular property. However, grantees will approach the maximum grant award amount more quickly. A grant calculation comparison chart has been attached to illustrate how this proposed change might affect a potential grant award, using the CRA-owned property located at 700 W. Atlantic Avenue as an example.

If the suggested modifications are approved, staff will revise the respective grant program guidelines to reflect the updated eligibility criteria, approval processes, and administrative procedures for immediate implementation.

### Future Proposed Modifications:

For future consideration, staff is looking into a way to facilitate project bids for prospective grantees, who are often inexperienced in working with contractors. Staff will bring forward a recommendation after additional research has been completed and internal procedures and staff resources have been aligned.

While staff believes that the current proposed modifications will result in increased access to grant resources for small businesses, further study is required to determine whether CRA grant tools may also be modified to better address business retention efforts. As discussed at the March CRA Goals Workshop, staff is drafting a work assignment for a development services consultant to study the real estate market, business trends, and challenges associated with activating strategic properties, to be scheduled for CRA Board consideration in the near future. Depending on the findings of that study, more substantive adjustments to CRA grant tools may be warranted.

### **Recommended Action:**

By separate action:

1. Modify the Business Development Assistance Program to add office as an allowable use in CRA Sub-Areas #1 & #2, and direct staff to update the program guidelines accordingly.
2. Modify the Paint-Up & Signage Program as follows, and direct staff to update the program guidelines accordingly:
  - a. Add office as an allowable use in CRA Sub-Areas #1 & #2;
  - b. Allow the CRA to make direct payments to vendors pending verification that the grantee has paid the required 50% match;
  - c. Allow the CRA Executive Director to administratively approve recommended applications for qualified projects.
3. Modify the Site Development Assistance Program as follows, and direct staff to update the program guidelines and standard grant agreement accordingly:
  - a. Add office as an allowable use in CRA Sub-Areas #1 & #2;

- b. Allow the CRA Executive Director to administratively approve recommended grants of less than \$15,000, provided that the applicant submits a minimum of two cost estimates for the proposed project;
- c. Allow grantees to request reimbursement funds in up to 3 draws over the life of the project, with the final draw being equivalent to 25% of the approved grant award and withheld until project completion as evidenced by final inspections or a Certificate of Occupancy;
- d. Apply a 100% reimbursement rate to the first \$10,000 of eligible project expenses for approved grants located in CRA Sub-Areas #3, #4, #7 and #8.

**Submitted By:** Elizabeth C. Burrows, Economic Development Manager

Attachments: Summary Spreadsheet of Proposed Changes; Grant Calculation Comparison Chart

PROPOSED MODIFICATIONS TO CRA BUSINESS GRANTS - 05.11.17

**Current Proposed Modifications**

Key Grantee Challenge	Potential Modification	Grantee Benefit	CRA Fiscal Impact	CRA Administrative Impact	Staff Recommendation	Examples
1 Limited Cash Flow	Release grant funds in multiple draws over the span of the project	Less cash flow required to fund projects; grant payments received more quickly	No additional CRA investment required*; more grants approved	Reimbursement request increased from 2 to 3 per award; requests processed by OED, Grants Committee, Finance	Allow 2 draws for up to 75% of SDA grant award while project is underway; 3rd/final draw is 25% of grant, released after CO	NW 7th Ave CRA; Winter Park CRA; Tallahassee CRA; Pompano Beach CRA
2 Limited Capital for Improvements	CRA offers full reimbursement for first \$10K, then partial reimbursement thereafter	Leveraging limited capital	No additional CRA investment required*; more grants approved	No additional processes or staff involvement required; modify formula for calculating reimbursement	100% reimbursement rate for first \$10,000 of SDA grants in Sub-Areas #3, #4, #7 and #8	Tallahassee CRA
3 Limited Capital-Cash Flow	CRA makes direct payments to vendors	Direct project costs reduced	No additional CRA investment required*; more grants approved	Payment request process is established; Finance to release payments to a different party	CRA makes direct vendor payments for P&S Grants verifying paid match	Dania Beach CRA; Ft. Lauderdale CRA
4 Time-Sensitive Projects	Allow new administrative approval for smaller grants	Shorter approval timeline leading to quicker receipt of funding	No additional CRA investment required*; more grants approved	Grants reviewed by OED, Grants Committee, and Executive Director; fewer agenda items processed by OED and administrative staff	Allow CRA Exec. Dir. to administratively approve all P&S grants, and SDA grants under \$15,000 w/ 2 quotes provided	Tallahassee CRA
5 Office Users in Downtown Core Seeking Assistance	Broader eligibility in Sub-Areas #1 and #2	Attraction/retention of office users to support downtown retail/service/hospitality industries	No additional CRA investment required*; more grants approved	Potential increase in applications received/processed by OED; increased grants management activity for OED, Finance	Extend eligibility to office users in Sub-Areas #1 & #2 for P&S, SDA, BDA programs	Delray Beach CRA (art studio/gallery exemption)

\* While there is available funding for each grant program in the current CRA budget, if the proposed modifications are successful, an increased number of grant applications and awards can be expected, which may result in exhausting available funds before the end of the fiscal year. If that happens, additional funding for individual grant programs may be needed.

**Under Consideration**

Key Grantee Challenge	Potential Modification	Anticipated Benefit	CRA Fiscal Impact	CRA Administrative Impact	Staff Recommendation	Examples
1 First-Time Project Experience	Establish an approved vendor list to simplify project bids	Streamlined application process	No additional CRA investment required*; reduced project costs due to competitive pricing	Staff to establish/maintain approved vendor list; additional impacts to be determined	To be determined after additional research is completed	Ft. Lauderdale

# **GRANT CALCULATION COMPARISON**

700 W. Atlantic Avenue (CRA-Owned Property)

## **Eligible Expenses**

<b>Improvement</b>	<b>Cost</b>
<b>Exterior</b>	
Roofing Repairs	\$6,000.00
Exterior Lighting Repair	\$1,500.00
Exterior Patch/Painting	\$13,650.00
Tree Removal/Trimming	\$3,450
Dumpster Enclosure Repair	\$250
Window Glass Replacement	\$1,500
Reduced Door Size & New Door	\$2,000
Window Bar Removal & Block-In Patch	\$700
<b>Exterior Sub-Total</b>	<b>\$29,050.00</b>
<b>Interior (Single Bay)</b>	
Demolition	\$2,000
Floor Preparation	\$600
Drywall Repair	\$2,500
Interior Painting	\$1,000
Mechanical (HVAC)	\$5,500
Electrical	\$5,000
Plumbing	\$2,000
<b>Interior Sub-Total</b>	<b>\$18,600.00</b>

## **Grant Award Calculations**

<b>Applicant/ Project</b>	<b>Eligible Costs</b>	<b>Current Reimbursement Rate</b>	<b>Current Grant Award</b>	<b>Proposed Reimbursement Rate</b>	<b>Proposed Grant Award</b>
<b>Tenant, occupying single bay</b>	\$18,600.00	40%	\$7,440	100% up to \$10,000; 40% thereafter	\$13,440
<b>Property Owner, exterior only</b>	\$29,050.00	40%	\$11,620.00	100% up to \$10,000; 40% thereafter	\$17,620.00